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'Trust fund' is locked in filing cabinet

By Dennis Cauchon, USA TODAY

President Bush's visit Tuesday to a federal agency in West Virginia that holds the Social Security trust fund put the spotlight on a \$1.7 trillion promise to the nation's retirees.

But it didn't settle the debate about the financial value of the trust fund. **(Relates story:** [Bush stresses solvency rather than accounts](#))

Physically, the trust fund consists of 8-by-11-inch sheets of paper, fastened inside two notebooks and tucked in a drawer of a four-drawer filing cabinet at the U.S. Bureau of the Public Debt in Parkersburg, W.Va. The drawer is secured by a combination lock.

"This is it," bureau official Susan Chapman told the president as they looked at the cabinet.

Social Security trust fund has built up IOUs because it currently collects more payroll taxes than it pays out in benefits. It gives the surplus to the Treasury to spend on other government programs. In return it gets interest-bearing Treasury bonds.

Social Security says that due to a swelling number of retirees, benefits will begin to exceed payroll taxes in 2017. At that point it plans to start cashing in the bonds to cover every retiree's monthly check. To pay the principal and interest on the bonds, Congress must raise taxes, borrow money from the private sector or cut spending on other programs.

The papers in the cabinet are computer-generated replicas of \$1.7 trillion in Treasury bonds — the amount the government has promised to repay Social Security for spending payroll taxes that finance the retirement system on other programs such as defense and education.

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The imitation bonds are signed by Chapman, division director of the Office of Public Accounting in the Trust Fund Management Branch of the Bureau of the Public Debt. The bureau is part of the Treasury Department.

Bush offered the filing cabinet as proof that "there is no trust fund — just IOUs."

The Congressional Budget Office estimates Social Security faces a \$5.4 trillion shortfall over the next 75 years — \$3.7 trillion in benefits that exceed projected tax collections, plus the \$1.7 trillion that must be repaid to the trust fund by Treasury.

Sen. Jon Corzine, D-N.J., a former investment banker, accused Bush of misleading the public. "U.S. Treasury securities have the ability to be paid under any circumstances based on the ability of the government to print money," he said.

"What did (Bush) expect to see there? Gold?" asked Dean Baker, a liberal economist who says Social Security does not face a financial crisis. "The trust fund contains government bonds that are just like any other government bonds."

But Bruce Josten, executive vice president of the U.S. Chamber of Commerce, applauded Bush, saying he punctured a myth.

"The public is fooled into thinking there's actually a fund where deposits and interest sit in some vault in West Virginia," he said. Josten says the trust fund is unlike the federal highway trust fund, whose assets by law can be spent only on highways.

By contrast, Josten says, the government spends Social Security taxes on other programs but pretends the money is still kept in a trust fund.

Contributing: The Associated Press

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